

Message Text

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43

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-02 PRS-01 /101 W

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 1881

INFO USMISSION EC BRUSSELS

AMCONSUL MILAN

AMCONSUL NAPLES

USMISSION OECD PARIS

UNCLAS ROME 9518

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJ: NEW CRITERIA FOR APPLICATION OF PENALTY RATE ON BOI
DISCOUNTS

REF.: A. ROME 17709 OF DECEMBER 27, 1974

B. ROME 7733 OF MAY 28, 1975

C. ROME 1531 OF FEBRUARY 3, 1975

PASS TREASURY & FRB

1. MINISTER OF TREASURY'S DECREE OF JUNE 20, 1975 (PUBLISHED
IN OFFICIAL GAZETTE 164 OF JUNE 24) ESTABLISHED NEW CRITERIA
FOR APPLICATION, EFFECTIVE JULY 1, 1975, OF FIXED PENALTY
RATE OF 3 PERCENT ON DISCOUNTING WITH BANK OF ITALY. PENALTY
RATE IS IN ADDITION TO NORMAL CURRENT DISCOUNT RATE OF 7
PERCENT (REF B).

2. NEW MODIFICATION OF CRITERIA FOR ASSESSING PENALTY RATE
ON DISCOUNTS IS AIMED AT HARMONIZING APPLICATION OF PENALTY
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RATE WITH NEW RULES GOVERNING BANKS' COMPULSORY RESERVE

REQUIREMENTS. UNTIL NOW (REF C), LEVEL OF COMPULSORY RESERVES (22 PERCENT OF DEPOSITS) CONSTITUTED REFERENCE POINT FOR APPLICATION OF PENALTY RATE, I.E., PENALTY RATE WAS APPLIED TO DISCOUNTS IN EXCESS OF 5 PERCENT OF AMOUNT OF RESERVES. EFFECTIVE JULY 1, 1975, NEW METHOD OF PENALTY RATE APPLICATION PROVIDES THAT 3 PERCENT PENALTY SHALL APPLY TO DISCOUNTS IN EXCESS OF 1 PERCENT OF OVERALL DEPOSITS AS OF THE END OF FIRST HALF OF PRECEDING SEMESTER. NEW PROCEDURE DOES NOT CHANGE SIGNIFICANTLY AMOUNT OF DISCOUNTING IN EXCESS OF WHICH PENALTY RATE IS APPLIED.

3. NEW CRITERIA ARE APPLICABLE EXCLUSIVELY TO DISCOUNTS. PENALTY RATE OF MAXIMUM OF 3 PERCENT ON ADVANCES IS STILL APPLIED IN THREE PHASES WITH REPEATED USE OF FACILITY WITHIN 90-DAY PERIOD ASSESSED AT 3 PERCENT PENALTY RATE WITHIN 90 TO 120 DAYS AT 2 0/0 RATE AND OVER 120 DAYS AT 1 0/0 RATE. VOLPE

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Draft Date: 02 JUL 1975
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Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ROME09518
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Drafter: n/a
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Margaret P. Grafeld
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06 JUL 2006

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